GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:133
ANSWERED ON:07.03.2008
STOCK MARKET CRASH
Ahir Shri Hansraj Gangaram;Appadurai Shri M.

Will the Minister of FINANCE be pleased to state:

(aj the details of losses suffered by the small and big investors during recent crash in the stock market;

(b) whether the Government has taken any steps through STiB] to regulate the stock market in view of the recent unprecedented rise and fall in the Index;

(c) if so, the details thereof;

(d) whether the Government has taken any step to prevent the occurrence of such incidents in future to safeguard the interests of the small investors and also to bring about, more transparency in the functioning of the stock market; and

(e) if so, the details thereof?

Answer

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a): The loss or gain arising from market movements is nohorial. This arises continually wirh change in the viikic (of the portfolios of investors wirh changes in prices of constituent securities. While the Sensex declined by 7.4% on 2tsl January 2008, ir increased by 34.5% during this fiscal on a point to point basis from end of March 2007 to end of February 2008,

(b) to (e)~: The authorities do not try to manage or control movement of stock indices. They have put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems instituted include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits` on positions, margin requirements, circuit filters, etc. The systems and practices are reviewed continuously and modified to meet emerging needs. Measures taken to broaden and deepen markets include: screen based trading system, dematenalizarion of securities, corporatization and demutualizatiou of exchanges, settlement through clearing corporation, trading in of derivatives, etc. Besides, SKBI maintains a constant vigil in the market, and in case of any abnormality, takes appropriate action against the concerned entities. SHB1 and market participants are undertaking massive awareness programmes to educate investors about the precautions rhey need to take while dealing in securities and how to seek redressal of their grievances.